

# Firm Participation, Learning and Innovation in Heterogenous Value Chains of IT-enabled Services

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## **Valorisation Addendum**

In accordance with Article 23 of the regulation governing the attainment of doctoral degrees at Maastricht University, this chapter discusses the valorization opportunities of this PhD dissertation. Following the corresponding guidelines, the socio-economic relevance of the dissertation and its novelty are discussed, followed by a discussion regarding the potential target groups that can benefit from the knowledge and insights from this research, and the channels used for dissemination of these insights.

### **Socio-economic relevance**

The findings from this dissertation have direct social and economic relevance. South Africa is facing high unemployment rates, especially among its youth. The South African government has identified the development of the IT-enabled services (ITES) sector, and especially attracting ITES contracts from offshore countries, as a strategy for economic and social growth. This is in line with policies in other developing and emerging nations, illustrated by the success stories of software firms and business process outsourcing providers in India and the Philippines in attracting international contracts and creating jobs. This dissertation has studied the opportunities and obstacles facing South African based service providers to participate in value chains of ITES at the domestic, regional and global market level (Chapters 3 and 4). The policy recommendations derived from these findings can assist policy makers in determining how to promote firm participation in global value chains (attract offshore contracts), which is an important issue given the potential to earn foreign exchange and to create new jobs.

The potential of the ITES sector to create jobs has incentivized service providers, government and other actors to contribute to skills development initiatives. One important initiative is so-called ‘impact sourcing’: recruiting talent from the unemployed labor pool (including previously disadvantaged youth) and training them to provide the necessary skills for the sector. These initiatives are not only relevant in terms of job creation but can also have significant social impact. The findings stress that the scarcity of skills in South Africa forms an important bottleneck to growth of the sector and emphasizes that skills development programs should be the focal point of government policies.

This dissertation has examined learning and capability mechanisms at the firm-level in value chains of ITES, and how this in turn affects innovation. The findings provide insights and policy recommendations regarding the overall growth of the South African ITES sector, and more specifically regarding the stimulation of innovation, entrepreneurship and SME growth, i.e. key sources of economic and social development.

### **Target groups**

Various institutions and agencies working to promote the development of the ITES sector may benefit from this dissertation. For example, despite the growing domestic services sector in South Africa, and the opportunity to export services to global markets, the country's share of exports of services remains small (McKinsey Global Institute, 2015). The findings in Chapter 4, on the key drivers of firm participation in local, regional and global value chains of ITES can assist policy makers in South Africa in determining how to facilitate GVC integration and hence stimulate the exports of services. The findings related to the national innovation system underpinning the ITES sector (examined in Chapter 6) can help policy makers to promote the development of the sector, while ensuring that the sector (especially the offshore oriented service segment) does not develop as an enclave, but instead deepens linkages with the local economy. Finally, the implications derived from the mechanisms of learning and innovation can be used by firm managers and other stakeholders to create an environment conducive for firm learning and upgrading to higher-value added activities in value chains of ITES. The latter is especially important in the face of technological advancements that make low-value added services prone to automation.

### **Dissemination**

This dissertation does not only provide policy implications, it is also relevant to further academic discussion. The dissertation is intended to feed into the debate on firm participation, learning and innovation in value chains of services, particularly those in developing and emerging countries. Presentations at seminars and workshops and publishing these results are important channels for this purpose. Thus far, different versions of the various chapters have been presented at a UNU-MERIT in-house seminar of Research Theme 3, on May 10<sup>th</sup> 2016, the internal conference on June 23<sup>rd</sup> 2017 and June 26<sup>th</sup> 2018. The results of Chapter 3 were published in a book

(“*Globalisation and Services-driven Economic Growth: Perspectives from the Global North and South*” in Beerepoot et al. (2016)). The results on which Chapter 6 is based were published first as a working paper (UNU-MERIT) and eventually in the *European Journal of Development Research* (2018). This chapter was presented at a workshop (23-25 April, 2017) at the Aalborg University in Denmark.

During the various fieldwork trips, findings were discussed with representatives of the national industry association and managers of ITES providers. The dissertation will be made available to all participants in South Africa that were involved in this research as survey respondents or interviewees.